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POKO REKORDS
A TALE OF A MAJOR FINNISH RECORD COMPANY

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ABSTRACT

This paper presents the main points of an analysis of the entire successful lifespan of one of the largest Finnish-owned record companies from its creation to its present existence as a part of the multinational EMI group. The strategic evolution of Poko Rekords is analyzed in this paper through the strategy logic perspective. The analysis shows how the strategy logic of Poko Rekords evolved as the company transformed from a hobby to a serious player in the Finnish music industry. The paper also strives to discover why some of the changes in Poko's strategy have been more successful than others. Eventually this paper endeavors to reveal what were Poko's competitive advantages that made it an interesting acquisition object for all of the multinational record companies operating in Finland.

INTRODUCTION

Finnish record industry has never been a common research topic among academics, mostly because of its relatively small size compared to, for example, the Finnish forest industry. Especially strategy-focused research has so far been virtually nonexistent. However, this ground-breaking study is meant to be an important first step in filling this research gap as it covers the entire successful lifespan of one of the largest Finnish-owned record companies, namely Poko Rekords, from its creation to its present existence as a part of the multinational EMI group.

The strategic evolution of Poko Rekords is analyzed in this paper through the strategy logic perspective, which has previously been utilized in both longitudinal (cf. e.g. Näsi, Laine & Laine, 1996) and cross-sectional (cf. e.g. Sokeila, Mäkinen & Näsi, 2003) studies. The segments of this paper describing the major events in the evolution of Poko Rekords are based on interviews of several people involved in making these decisions (list of interviewees below) as well as the history of Poko Rekords (Kontiainen, 2004) and other publicly available sources.

STRATEGY LOGIC PERSPECTIVE

Scholars have classified strategy concepts into different schools of thought leaning on different arguments (cf. e.g. Mintzberg, Ahlstrand & Lampel, 1998). Näsi (1999) has provided us with one such classification by dividing strategy concepts into three basic types: norm concepts, humane concepts and logic concepts. Logic concepts include, for example, frameworks such as the business idea, value chain, dominant logic, paradigm, industry recipe and industrial wisdom.

One specific framework that belongs to this school of thought is, as its name suggests, the strategy logic concept. It describes the dominating way in which the enterprise solves its strategic problems over a longer period of time. Näsi et al. (1996) have defined strategy logic as *the subjective logic representing the thinking of key persons in the firm*. They further state that strategy logic may include both a metalogic – showing the method and framework to create a strategy – as well as a substance logic, now deciding what in the firm will be done. In this instance logic is seen simply as a line of argument that is shaped around several basic ideas or principles (Gilbert, Hartman, Mauriel, & Freeman, 1988). According to Näsi et al. (1996), the strategy logic of an enterprise dictates what is to be done. They note that its nature remains relatively constant, while changes and developments come into being incrementally.

The Scandinavian business idea concept first introduced by Normann (1975) and later refined by Iiro Jahnukainen (e.g. Jahnukainen, Junnelius & Sonkin, 1980) can be seen as an early strategy logic concept (Seppä, 2000). My own interpretation of strategy logic is also based significantly on the business idea framework, which is why the strategy logic concept is in this paper seen as consisting of three basic elements: the product system, niche or market segment and the organizational resources and structures needed in the process. The product system and the company's niche or market segment define the concrete framework in which the company operates whereas the resources and structures describe how these operations are actually being performed. (Jahnukainen et al., 1980). Nevertheless, the most important aspect of this concept is the fit between its three elements. All of its parts should fit together and combined create a harmonious whole (Normann, 1975).

THE CREATION OF POKO REKORDS

In September 1972 Kari "Epe" Helenius did something most people then considered more or less insane and founded a small record store in Tampere. Furthermore, his store focused only on rock and pop music. The record store was named simply Epe's Music Shop, although in the beginning it was technically only a profit center of his father's textile company. A few months later Helenius' record store began its mail order operations, too. This was not planned originally, but very soon it became obvious that the mail order business was an essential part of the company's success as approximately 80% of the company's sales came from mail orders. However, in 1976 Helenius senior sold his textile business to a larger company and the record store needed a new legal form of existence. Luckily, Helenius senior owned also an inactive company named Unitor Oy, which then became the parent company for Epe's Music Shop.

Nevertheless, after five years as a record store manager Helenius became convinced that the major record companies then operating in Finland had lost touch of what kind of music the consumers really wanted to hear. In addition, he had formed a certain kind of an artistic vision of what kind of music he wanted to have produced in Finland. Furthermore, he had realized that operating a record store could never be very profitable in Finland, whereas a record company still had something valuable left after the physical record had been sold.

Therefore, in the fall of 1977 Helenius founded Poko Rekords. The final thrust came when his friend convinced him that a new group this friend was managing was going to be successful, even though he had not been able to find them a record label. Helenius signed this new group and, to almost everyone's surprise, the rockabilly group's first album became a success. The second group signed to Poko Rekords was not rockabilly at all, but punk rock, which was slowly becoming more popular in Finland, too. Even though this group's first releases were far from triumphant it later became the most successful rock group in Finland, which it still is today. After signing a heavy metal group as well as another playing doo wop, Poko Rekords was soon producing almost anything that could be labeled rock music.

In the early days, Poko had practically no overhead costs because the company did not have any employees. Helenius and one employee were working at the record store and operated the record company on the side. Nevertheless, even though Helenius had managed his record store for several years, he was not very familiar with the typical weekday operations of a record company manager. Thus, when sales manager Jive Väänänen of the almost-bankrupt Love Records decided to start his own consultancy with producer Richard Stanley in 1978, Helenius hired their company to operate as Poko's Helsinki office. These record industry veterans quickly secured Poko a distribution deal with a larger record company Discophon and took care of the manufacturing of records as well as other basic operations. This arrangement continued for a couple of years and in that time the veterans taught Helenius all he needed to know about running a record company.

FROM A SMALL PLAYER TO THE MAJOR LEAGUE

In the late 1970s and early 1980s Poko Rekords began to grow gradually as new groups were signed and older ones found even larger audiences. However, in late 1980 their distributor Discophon was facing more and more financial difficulties and Helenius decided to move Poko's distribution to financially more secure CBS starting from the beginning of 1981. On the other hand, Poko's first actual employee that had nothing to do with the record store, a communications secretary, was also hired in the early 1980s. Thus the record company finally began to form as its own separate unit.

In the late 1980s Finland's leading record company Fazer had begun to show a great deal of interest in buying Poko Rekords. Helenius, however, was not interested in selling a majority of his creation to the company. Thus, when his friend Gugi Kokljushkin, then the manager of financially very affluent record company Sonet (part of a group of companies that included also the not-so-successful Discophon), approached Helenius with a distribution proposal, Helenius decided to offer 40% of Poko to the Swedish-based company. Kokljushkin agreed, and in January 1988 Sonet bought 40% of Poko's parent Unitor and became their sole distributor. With more financial resources behind Unitor, the idea of more record stores came into being and soon Mega Epe's chain was established. The idea was to build massive record stores in central locations to compete with Fazer's own record store chain.

In the meantime Sonet's Swedish parent company had begun a less triumphant expansion project, which quickly led the company to serious financial difficulties. As a result, in 1991 Philips-owned PolyGram acquired Sonet as well a related Scandinavian record company Polar. Suddenly, Helenius found himself doing business with a global music giant instead of a lot smaller Scandinavian company. After that it did not take Helenius very long to realize that the interests of Poko were not at all a top priority at PolyGram and by the end of 1992 Helenius bought back the 40% of his company's shares. Helenius financed the deal with a notably large advance payment he received from BMG after agreeing to shift Poko's distribution to the corporation.

By 1990 Helenius had realized the need to separate the record store business from the record company, so that their profitability would be easier to monitor. Consequently the two businesses were turned into subsidiaries of Unitor, which owned also the publishing company Jee-Jee Music Oy. The Mega Epe's record chain was founded as yet another subsidiary of Unitor. When the cooperation with PolyGram turned sour, Helenius established a new publishing company Poplandia Music Oy to control his artists' latest publishing rights. Helenius also set up another company, named Shoeling Oy, for other business operations, but it was later used to buy the older master catalog from Unitor and finally also PolyGram's share of Unitor. Nevertheless, the record store business was not doing well because of the recession, and despite Helenius' serious efforts Unitor Oy finally went bankrupt in 1993. After the bankruptcy Helenius bought the shares of Jee-Jee Music for Poplandia. Also in 1993 Shoeling changed its name to Poko Rekords Oy. Furthermore, Helenius decided to limit his future involvement in the record store business to his original Epe's Music Shop, so that he could control the operations more closely.

JOINING FORCES WITH A MUSIC CONGLOMERATE

By the late 1990s Poko Rekords had secured its place as a major Finnish record company. Even though its total share of the Finnish market was generally around 5%, its share of the domestic music market (which in Finland comprises roughly 50% of the total market) was twice that. So it was no secret that any of the multinationals would have been thrilled to acquire Poko, but most people assumed that Helenius was not ready to sell his life's work. Nevertheless, after the 1999 Emma Gala (Finnish "Academy Awards" for music) EMI's slightly intoxicated manager Hobo Puhakka approached the also slightly intoxicated Helenius with an acquisition proposal and to Puhakka's surprise Helenius responded positively. A week later Puhakka called Helenius to find out whether he had been serious or not and soon the details of the proposal were being discussed. However, a notably larger deal was being planned in 1999 where EMI and Warner would have merged their music businesses. This meant that very soon EMI's Scandinavian management no longer had the time to focus on any smaller issues and the acquisition plans with Poko were more or less put on hold.

Helenius had been satisfied with Poko's distribution deal with BMG on the whole and when the agreement was being renewed in 2000, there were also discussions about BMG buying Poko. These discussions remained on a general level, however. Gugi Kokljushkin, now manager of Universal, had sounded out Helenius' interests to sell his company, too, but these talks remained likewise very preliminary.

On the other hand, when the planned merger between EMI and Warner was not allowed by the EU, it only took about a month for EMI's Scandinavian regional manager Michael Ritto to reopen the negotiations with Poko. This time the discussions were more fruitful, and in 2001 EMI announced its acquisition of Poko. However, during the negotiations Helenius had insisted that Poko would still maintain a relatively large amount of independence and not be merged into EMI's local operations. Thus, most of Poko's operations are still being managed from its headquarters in Tampere, even though some back office operations and the label's distribution are operated centrally at EMI's Helsinki office. Poko's independent status within EMI became really evident when the corporation faced major restructuring in 2002. Despite some proposals from corporate management, the restructuring eventually had no effect on Poko. Currently Poko operates as an independently managed unit in smooth cooperation with EMI, especially regarding Poko's music exports.

CONCLUSIONS

In the beginning, the logic behind Poko Rekords was simply to provide rock music to the enthusiastic Finnish rock generation with a virtually nonexistent organization. This way the company can be seen as a hobby of its founder. This idea proved to be a successful one and Poko's strategy logic during that period demonstrates why. The product (rock music) was targeted to eager consumers and supplied by likewise excited virtual employees supported by a successful record store. So every piece of the puzzle was there. However, when the company began to grow, it somehow lost its direction. Now the company was trying to reach large crowds of consumers with the Mega Epe's record chain, even though its own resources were still very limited. So the perfect fit of the early days had been lost. Therefore, major changes were evident and the company soon began seeking its own focus again. This focus was found in the early 1990s, after significant restructuring. This time the company was focusing on a larger audience than in its early days, but it no longer tried to reach them physically. The company's offering had also become wider, so it naturally attracted a wider audience. In addition, the company's organization had become one consisting of experts. Thus, we can say that the fit had once again been found.

The same fit exists in Poko Rekords' strategy logic as a part of EMI. The company is still offering more or less the same repertoire with more or less the same personnel. However, its target group has grown even wider and as an independent company it probably could never reach them successfully. With the support of a multinational music conglomerate and its huge resources, this target group can far easily be reached. So, we can say that the strategy logic of Poko Rekords today is still the harmonious one that it was before the acquisition.

This paper has presented an endless chain of strategic changes in the life of a single company. Even though this case has studied a record company operating mainly in Finland, the issues it has faced are more or less the same in any industry and any country. The rather small company examined in this paper has throughout its existence faced pressure from notably larger companies, like every small company in this age of corporate mergers and acquisitions do. On the other hand, the observed manager has directed his company's strategy on many issues based more on feelings than pure numbers. In conclusion, it can be noted that this strategy has also proven to be a successful one. Thus, we can still believe that the numbers are not everything, at least not in the music business.

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STRATEGIC HUAN RESOURCES AS A STRATEGIC WEAPON FOR ENHANCING LABOR PRODUCTIVITY: EMPIRICAL EVIDENCE

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ABSTRACT

This pioneer study investigates strategic human resource management practices (employment security, selective hiring, self-managed teams and decentralization, comparatively high compensation contingent on organizational performance, extensive training and development programs, reduction of status differences, and sharing information) that treat a firm's human resources as valuable assets. Subsequently, this study investigates the relationship between these human resources management practices and a firm's labor productivity. The results of this study revealed a positive and significant relationship between five strategic human resources management practices (job security, selective hiring, self-managed teams and decentralization, extensive training and development programs, and comparatively high compensation contingent on organizational performance) and the company's labor productivity. While reduction of status differences has positive and insignificant relationship with the company's labor productivity, sharing information has a positive and marginal relationship with the company's labor productivity.

THE STRATEGIC SOURCING PROCESS

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ABSTRACT

This study provides a methodology for taking utmost advantage of centralized purchasing in a multiple facility firm. We review the strengths and weaknesses of a centralized purchasing paradigm and provide reasoning as to why the terminology change to Strategic Sourcing is more descriptive of the process. We then offer an approach to overcome some of the weaknesses and reap the full benefits of Strategic Sourcing.

JOURNEY TO THE NORTH FACE: A GUIDE TO BUSINESS TRANSFORMATION

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ABSTRACT

Organizations increasingly chose to adopt lean enterprise strategies but implementing strategy is a difficult task, prone to failure. Transforming our businesses into a new model, one that removes non-value added activities, requires a three-phase transformation: a cultural transformation, implementing lean tools, and extending lean principles into the value stream outside the business. This paper focuses on the first two aspects of the transformation. In moving an enterprise to lean, leading the change must come from the top but other leaders must also be present. Change leaders at the business unit level, called Transformanagers, and plant level implementers, called "Lean Berets," provide the skills, knowledge, and involvement to implement lean systems throughout the organization. Supporting mechanisms, such as unwavering sponsorship from the top, a clearly articulated vision, and alignment of all employees are other necessary components for successful lean transformations. Organizational structures that support teams, and organizational linkages that cut across functional boundaries must be implemented. Finally, the importance of extensive training and dedicated resources is stressed and a recommended training program is presented. Such a commitment of resources to the training effort recognizes that people are as important as equipment, tools, and processes in implementing a lean transformation strategy.

INTRODUCTION

We live in a world where information has become the dominant value driver, where markets and competition are global, and where rocketing IPO's, mega-mergers, and predatory acquisitions are changing both the business landscape and its clock speed forever. The last fifteen years of unprecedented prosperity have created amazing growth, along with a troubling level of complacency and expectation for its continuance; yet we all know that no tree grows to heaven. In the face of such challenges, many organizations are adopting a lean enterprise strategy. Yet, implementing a strategy, particularly one that demands major change at all levels of the firm and within its culture, is difficult and prone to failure. For that reason, it is imperative to take a fresh look at how to transform our businesses into the new lean enterprise model

TRANSFORMATION

Business transformation moves an organization from an existing condition to a future state that represents a targeted strategic ideal. The connection between such business transformation and leadership is an important and recurring theme (Burns, 1978; Bass & Avolio, 1993). Without effective leadership, business transformation will not succeed and the strategic vision will not come to fruition. The business transformation of concern here is implementing lasting change in the behaviors of an established organization, focusing on the preparation necessary to create the right structure, behavior, and methodologies as the underpinnings of business excellence. The ideal future state of the business transformation under discussion is the lean enterprise.

EXCELLENCE: THE LEAN ENTERPRISE

The lean enterprise embodies lean principles at its heart, that is, its operations are based on a manufacturing philosophy that eliminates activities that add cost but not value and it "reduces the time from customer order to delivery by eliminating sources of waste in the production flow." (Liker, 1997:7) The same principles flow from the operational heart throughout the organization, then upstream to suppliers and downstream to customers, encompassing an entire enterprise. In the words of James Womack and Daniel Jones (1996), the lean enterprise is a "channel for the value stream" from the design of a product or service to customer delivery. The lean enterprise articulates all its activities in answer to the question: What does the customer consider value?

The lean enterprise has two essential characteristics: focus on customers and cooperation (Maskell & Baggaley, 2003). In both, the end focus lies outside the boundaries of the organization, either by focusing on adding value to the customer or by interacting in a cooperative manner with customers, suppliers, and other third parties. Yet, the foundation for the lean enterprise lies in transforming the organization internally first through a cultural transformation and implementing lean tools. This paper focuses on the foundation.

Transformation of a business to a lean enterprise is often expressed as a journey, due in part to the rigor and duration of the effort, but also symbolically due to the fact that perfection is not a destination. Instead, the ideal represented by the lean enterprise is a guiding beacon, or the magnetic north.

Our experience in both consumer goods and automotive components industries has led to the conclusion that there are three phases to the lean transformation: cultural transformation, implementing lean tools, and creating the lean enterprise. Experience has also proven that, at the beginning of the journey, the majority of effort must be put into achieving cultural transformation, or "Transforming Tribal Customs." Over time, as the new culture takes root, more effort can be devoted to growing knowledge depth through implementing lean tools, the second phase, and then increasingly in harnessing the power of the lean enterprise, the third phase. Effort for maintaining the desired tribal customs diminishes, but it never goes away.

Transforming a business to the lean enterprise is a complex task. The principles of the Toyota Production System continue to serve as the enduring global model of the lean enterprise. However, Toyota and other similar-thinking Japanese companies have developed almost all their non-domestic plants as greenfield initiatives. Flawless startup of a new site, while inculcating lean principles into a carefully selected group of fresh new employees, is a far less daunting task than converting an entrenched, change-resistant, stagnated organization to an entirely new, and (to those affected) unfamiliar, way of working, while simultaneously meeting the challenges of everyday business. We will focus on how an existing organization can be transformed to a lean one.
As noted by Yoffie and Kwak (2001), "Metaphors play an important role in business." (ix) Therefore, throughout our discussion the business transformation process will often be expressed through the metaphor of a mountain climbing expedition, up the difficult north face of the slope.

LEADING CHANGE

Passionate leaders with knowledge of lean systems are the first and most important element for creating lasting change. Leaders at the top need to be educated to develop a broad understanding of lean practices and how they interrelate as a system. Finding leaders with similar knowledge and passion in the descending layers of the management structure is seldom easy, but they often exist, sometimes latent, usually dissatisfied with the status quo. A powerful coalition of strong leaders, energized by challenge and committed to the transformation, even willing to take significant career risk, must be identified in the organization.

Transformational leadership at all levels, in addition to sharing a deep common understanding of the vision, must share a passion for carrying it out (Burns, 1978; Bass & Avolio, 1993). The need to have strong and experienced change makers lead the effort should not be taken lightly. There will always be significant, if hidden, forces acting to thwart the change, since their comfort zone is the existing business model.

Because change of any magnitude will be resisted, it is usually necessary for the vision and direction to begin as authoritative directives, clearly and strongly articulating an unarguable direction. As the transformation progresses, authoritarian approaches are replaced by coaching as respected change leaders at all levels are seen to support the effort. In return, respected change leaders receive recognition both for performance improvements and for applying their own entrepreneurial energy to the transformation itself.

In large companies, to make certain that the lean transformation has the desired coherence and execution speed, innovative leaders of change, like experienced expedition guides, must be simultaneously deployed and active in all business units to promote and facilitate change, despite any opposition they may encounter. Change leaders at a business unit or plant level direct, coach, and coordinate the installation of the knowledge, structure, and environment required for the lean transformation. Simultaneously, they are serving as the managers and general contractors for the multitude of initiatives required to actually execute large-scale workplace improvement.

Considering the scope and demands of this role, it is fitting to name these key change leaders "Transformanagers". Leadership and commitment bordering on crusader or revolutionary levels of activism, deftly blended with good listening, communicating, and coaching skills are the hallmarks of Transformanagers. They also possess some characteristics in common with Six Sigma Champions and Black Belts: organizational respect, big picture understanding, creativity, and the ability to inspire (Mikel & Schroeder, 2000).

Under the plant level Transformanager there must be energetic change agents with deep skills and hands-on abilities in lean practices and systems. These highly trained implementers might be called "sensei" in Japan, but "Lean Beret" is a more fitting term for the Western business world. The Lean Berets' responsibilities are teaching and guiding three to five work teams on the shop floor. As project leaders, they must be able to work shoulder to shoulder with team members to make real time improvement, validate process changes, or start all over after an improvement has failed to deliver the expected benefit. Lean Berets should be selected from aspiring candidates who have similar, but less seasoned expertise than the Transformanagers. They need to be tolerant of criticism and made more determined by setbacks. They need to be able to organize, prioritize, compromise, and energize.

Consideration must be given, however, to people skills over technical skills at the beginning of the transformation journey. Teams in their infancy need strong mentors, not technicians. Also, if support of transformation activities simply adds more tasks to the work of the process engineer, these new tasks will get less than desired attention. Urgent process technical support needs will demand time, and the new lean transformation work is likely to be less familiar and comfortable for the engineer.

As visible leaders on the journey toward excellence, it is natural for experienced Lean Berets to rise to Transformanager roles. Similarly, Transformanagers progress to general managers or key functional heads. In company after company, the most effective change leaders have proven themselves to have the ability and experience needed to become excellent general managers and vice presidents. Leading a challenging mission of large-scale change from business as usual to lean enterprise culture and practices requires and develops exceptional skills, in project management and communication. Leading large-scale change also requires and develops the ability to engage the creative talents of all employees in team-based work systems.

A word of caution must be given here. Experience has shown that, while excellent Lean Berets and Transformanagers quickly distinguish themselves from their peers, promoting them too quickly slows the transformation. One large multi-national corporation reached a plateau in its transformation journey largely because the initial change leaders were promoted to line roles before the cultural transformation had been securely rooted. The learning curve for the less experienced replacements caused a real performance set back in the affected organizations.

SUPPORTING MECHANISMS FOR LEAN TRANSFORMATION

Transformanagers and Lean Berets must be supported throughout the transformational journey by unwavering sponsorship from the top and a structure that allows them to make decisions and to use their skills to keep the organization moving quickly forward. While inspired leaders in the middle can make a real difference, the leadership at the top of the organization must exhibit unwavering commitment to the pursuit of excellence and related transformation initiatives. Hints of hesitation, change of heart, or shifted direction can spell disaster. No one wants to be part of an initiative that is falling out of favor with the company's top sponsor. The endless journey to the north face must have a relentless sense of passion and excitement generated from the top.

A colorfully painted and thoroughly articulated vision of excellence is used by successful transformational organizations to create a common purpose, align direction and initiatives, and provide an effective new organizational framework and environment. John P. Kotter (1996) indicates that underestimating the power of vision is a significant cause of failure in transformation efforts:

Vision plays a key role in producing useful change by helping to direct, align, and inspire actions on the part of large numbers of people. Without an appropriate vision, a transformation effort can easily dissolve into a list of confusing, incompatible, and time consuming projects that go in the wrong direction or nowhere at all. (7)

In the case of the business transformation to lean, this vision is a vivid and compelling description of what it will feel like, what it will look, and what it will be like when the organization reaches it goal of operational excellence, that is, becoming lean.

Capturing the vision through an easy to read employee manual using basic descriptions of lean principles, all tailored to custom fit the company culture, has been successfully used by the senior author in four different companies. The manual becomes the "Tribal Bible" since it institutionalizes a common context for lean systems and serves as the foundation for lean training at a level of familiarity. Through continual communication and exposure to the Tribal Bible, all employees share a clear, common understanding of the vision, direction, and common language. The sense of common purpose and future state benefits is best described as "Tribal Alignment".

Alignment is a necessary first step for any meaningful transformation to move forward; it effectively creates a clear path to the "magnetic north" of the organizational vision. Alignment provides a guidance system for the organization on its journey and creating alignment is often the key activity for successful transformation. For Collins and Porras, authors of *Built to Last: Successful Habits of Visionary Companies*, "Building a visionary company requires 1% vision and 99% alignment. (1996:78) Never should creating alignment be confused with mere slogans.

Experience has shown that a clearly articulated vision, based on describing the desired end state itself, or well conceived competitive performance levels embodied by the desired end state, can become the effective magnetic north for the organization. This mechanism of driving lean transformation by setting standards of performance has proven particularly effective in many organizations.

Successful transformation is not change imposed on employees, rather it is change accomplished by engaging employees in an enterprise-wide pursuit of meaningful common goals. This fundamental cultural change is not proposed for the sake of platitudes like individual freedom and feeling of belonging. Instead, the purpose is to harness the energy and enthusiasm of employees and channel it to create lasting, exceptional business performance. Jon R. Katzenbach (2000) describes this alignment of the high performance workforce:

The companies we studied are very disciplined about maintaining certain channels of alignment supported by a wide variety of mechanisms to….strike a dynamic balance between enterprise performance and worker fulfillment. (18)

Whether using the vision to be or the performance to be, repeatedly emphasizing, recognizing, and modeling the company vision or the standards of performance excellence becomes the mechanism for converting magnetic north direction to tribal alignment.

Unlike a conventional point on a compass, this magnetic north must be infused in the organization's way of life through constant and consistent communication. In a survey of CEOs, 98% of them cited communicating a "strong sense of vision" as the key activity for organizational performance (Lipton, 1996:85) and successful organizations employ a vast array of mechanisms to communicate again and again their vision.

ORGANIZATIONAL LINKAGES AND STRUCTURES

To continue the metaphor of the business transformation as a mountain climbing expedition, complete alignment is like the well-calibrated compass, a committed sponsor is the leader, and the transformanagers and lean berets are outstanding guides. They are necessary but not sufficient conditions. The organization still needs to determine an expedition team structure for the members and mechanisms to link members and teams.

In business, as in expeditions, success hinges on connectivity and effective teamwork. We recommend a Linchpin Team Structure that links the management teams leading the transformation throughout the enterprise can stay linked. This Linchpin Team Structure is similar to the Linking Pin concept originally developed by Rensis Likert, but with important differences (Likert, 1961). It is not a supervisor or manager with hierarchical authority over a work group who provides the necessary linkage. Rather, the Linchpin Team Structure joins multiple teams to a higher-level team by placing a Lean Beret in support of three to five natural work teams. The Lean Beret becomes the mentor and coach for the team leaders in those areas.

All Lean Berets in a worksite sit on a plant-level lean implementation steering committee chaired by the Transformanager for that plant. For multi-plant businesses, the plant level Transformanager would sit on a division or group-level lean implementation steering committee, chaired by the Transformanager for that division. In turn, the division level Transformanager would sit on a corporate-level lean implementation steering committee, chaired by the Transformanager for the corporation. The corporate level Transformanager, sometimes known as the chief operations improvement officer, is the lean organization's most visible change maker, next to the CEO and COO.

Our experience in several industries has shown that the speed and sustainability of cultural change was positively impacted when programs maintained this type of linkage between key change leaders, business unit management, and top management. The linkage permits sharing experiences and best practices, while providing visibility that creates more than subtle peer pressure for accelerating implementation rate. Care must be taken, always, not to misuse valuable time with excessively long or frequent meetings.

THE IMPORTANCE OF TEAMS

Lasting transformation of a business culture starts and ends with empowering employees to make the decisions necessary to conduct and improve their daily work. Engagement of all employees is a necessary condition for lean systems. Ownership and active support of initiatives requires that the natural work teams participate fully in shaping, leading, and implementing lean initiatives. Therefore, a team-based work system is strongly implied in organizational transformation.

Teams, not individuals, are the focus of the lean enterprise. Teams assemble multiple skills, judgments, perspectives, and experiences to deliver a richness of creativity and performance that is beyond that achievable through a hierarchy. Real change cannot be effectively decreed, but, instead, it must be inspired by leaders articulating a vision of the destination, establishing meaningful performance requirements as mileposts on the lean journey, and then encouraging creativity in the teams by developing and implementing the means of attainment. As noted by Kazenbach and Smith (1993), "The team is the basic unit of performance for most organizations." Nowhere is this more true than in the lean organization.

Our experience confirms their observations of fifty different teams in 30 firms**:** teams thrive on performance challenges, but quickly flounder without them. Teams need a performance-driven purpose and need to be accountable for performance expectations. A team-promoting environment alone is unlikely to have a favorable business performance impact.

This fundamental of team dynamics was observed first hand by the author when he joined a major capital goods company as head of operations. This particular company had discovered team based work systems decades earlier and had created a mature team environment in most of its manufacturing plants. Unfortunately, local management felt that managing their day-to-day operations was a sufficient, if vague, challenge for the teams. Consequently, at the inception of the lean transformation, attitudes and team relationships were superb but performance was not. By personally challenging the teams with visible lean improvement projects, the teams developed a new energy and enthusiasm. Most could hardly wait to showcase their improvements during return visits, and in most cases went far beyond the author's suggestions. Why had this resource not been tapped previously? In our opinion, many senior managers simply have a basic misunderstanding of the difference between "having teams" and "developing high performance teams". Effective teams enhance enthusiasm and performance. Teams develop emotional commitment. Teams create identity. Teams have fun.

THE IMPORTANCE OF TRAINING

Finally, the necessary climbing skills for the lean expedition must be addressed. Business transformation of this magnitude quickly overwhelms training and employee development resources. Therefore, the most qualified and respected managers need to be converted to become certified trainers and can be augmented by outside resources. Next, comprehensive training schedules must be developed to assure that training fully supports the work cell roll-out for lean implementation.

Change leaders can be selected on the basis of attributes described earlier, but even with the best raw material, significant training is needed to create knowledgeable employees. Training hours completed throughout the organization is a key metric of lean implementation. Unfortunately, the transformation landscape is littered with the remains of unsuccessful expeditions that tried shortcuts in training or focused on classroom hours without equivalent application hours that allow knowledge to be reinforced and absorbed. To avoid wasted investment, applying the newly acquired skills in a problem-solving scenario must quickly follow classroom sessions to transfer knowledge and ensure it is retained. Ideally, each training and application experience should occur with natural work teams to reinforce further team behaviors while the team acquires skills.

Managers at all levels must participate in the training. Training is the only credible method for all to understand the skills required for the journey; it also presents an opportunity to take the pulse of the employees' attitudes and knowledge during practical application.

Training and support for the pilot or model cell is of prime importance. Since the pilot sets the tone and pace for the rest of lean transformation, it must be a visible success. In line with the degree of importance of the pilot's success, significant training resources must be dedicated to support the change effort. No matter what resources are needed, the pilot can never be allowed to fail. Successive cells are usually less visible and problematic because success breeds success!

DEDICATED RESOURCES

Lean transformation, a change of monumental significance, must be led with passion and commitment from the top and supported by equally passionate, strong, knowledgeable disciples, the Transformanagers and Lean Berets. Until the change journey is well underway, the Transformanagers and Lean Berets must be dedicated resources focused on this effort. When the vision is important to the business, implementation should not be relegated to part-time fill-in work. As maturity is gained on the journey to lean, and efforts shift in emphasis from cultural change to implementing lean tools, the role of Transformanagers and Lean Berets can gradually be filled by the functional area managers as they become a lean sensei and passionate disciples.

Lasting transformation depends on investing in employee training for two vital outcomes: employees must know the tools and techniques of lean systems and employees must adopt the lean culture as their own. Only when the new culture of the lean organization has been instilled can the organization migrate from traditional control hierarchy to a fully empowered team structure. While application of lean tools alone can certainly improve a process, changing the work environment to one of complete employee involvement and ownership will create lasting transformation and vastly increase the innovation and improvement yield from those tools.

Leaders with passion must create the right structure, behavior, and methodologies as the underpinnings of business excellence, then continually demonstrate their commitment by investing in people, and trusting in their decision-making and problem solving abilities. Most important of all, communicating consistently and frequently the shared vision and the organizational direction of the lean enterprise will maintain momentum up the mountain of excellence. Meticulous preparation assures the stamina and mindset needed to persevere in the march of endless steps on the journey toward the north face toward excellence.

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CONGRUENCE ANALYSIS FOR STRATEGY OPTIONS DEVELOPMENT: DUBAI MUNICIPALITY EXPERIENCE

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ABSTRACT

This study extends the traditional strategic planning process to multi-stakeholders' congruence analysis for strategy options development. Dubai Municipality was the focus of the study. Dubai is a rapidly growing city in the Middle East attracting tremendous economic activity by becoming a global player in several sectors such as transportation, retail sales, real estate development, sporting events, finance, and specialized manufacturing amongst others. Such rapid economic growth has posed unique challenges to Dubai Municipality. Dubai Municipality has applied the strategic planning process to develop strategic options that are used to craft its future strategies and current resource allocations. This study reports both the process application as well as the results obtained from the congruence analysis of multiple stakeholders of Dubai Municipality as seen by the senior leadership group.

Data, using the strategic planning process methodology, were obtained from over 200 senior executives in Dubai Municipality regarding key stakeholders: stockholders, suppliers, strategic partners, employees, community and customers. These outputs were then analyzed to uncover gaps for strategic options development. A congruence analysis of the strategic options created by these multiple stakeholders revealed those options that were congruent and those were not. Finally strategic choices were made based on the congruence analysis.

INTRODUCTION

Successful organizations use process methodologies to craft appropriate strategies that give them competitive advantage in the marketplace and allow them to flourish and survive for a long time. Wall & Wall (1995) clearly describe how the strategic formulation leads to development of options via gap analyses to form the basis for strategic choices made by organizations. Mintzberg (1994) describes strategic planning as a "process with particular benefits in particular contexts" that requires balancing the forces exerted by multiple stakeholders upon the organization. Existent research on strategic planning as a logical process involving gap analysis to develop options and making strategic choices that balance multiple stakeholders has, however, led to the problem of potential incongruence between the multiple stakeholder perspectives.

However, almost all of the significant research that has been published on the application of the strategic planning processes (Hax and Majluf, 1996) was in American and European contexts, and corresponding research in the Middle East has been scanty. Fredrickson (1983, 1984) emphasize the value of research on strategic planning process, especially in-depth company analyses, to provide knowledge on what works and what doesn't.

LITERATURE REVIEW

Existing literature also suggests that failures in the strategic planning processes are attributable to induced and autonomous behavior of employees inside the corporation (Burgelman, 1983), to control systems that monitor organizational behavior (Simons 1991, 1994), or to discrepancies between organizational goals and managerial performance (Cyert and March, 1963), moderated by political activity of various stakeholders (Bower, 1970).

Therefore, it is essential to view the strategic planning process as needs analyses from multiple stakeholder perspectives in order to minimize the potential for failure. Our application of the strategic planning process incorporates these notions, but extends theory by viewing organizational processes as assemblages of a loosely coupled network of multiple stakeholders (Allison and Zelikow, 1999). Focused case studies of strategic planning processes at individual companies also describe the process as balancing act that considers multiple stakeholder perspectives (Lovas and Ghoshal, 2000). Deescriptions of strategic planning at General Electric (Bossidy and Charan, 2002); Honda Motor Company (Pascal, 1984, 1996; Rumelt, 1996); Intel (Burgelman, 2002); Beatrice (Baker, 1992); and IBM (Chinta, 2000) reveal strategy formulation as a logical process that needs to balance the multi-stakeholder perspectives. Burgelman (1984) describes the strategic planning process as a socio-political process involving multiple stakeholders. Bower (1970) notes gap analysis is crucial for strategic options development by noting that new projects arise as a result of a perceived gap between what is expected and what is required to accomplish the job. Mintzberg and Waters (1985) too suggest that the source of such gap analysis behavior to develop options can most likely be traced to the intentions of various stakeholders. As such the gap analysis is done from the perspectives of multiple stakeholders. Perspectives of five key stakeholders' - stockholders, suppliers, strategic partners, employees, and customers – as perceived by the organizational leaders form the basis for data gathering.

METHODOLOGY

The methodology used in this study is primarily a case study. The case in question is Dubai Municipality, which was the development of their first actual five year strategic plan developed in conjunction with the entire organization. The purpose of this study was to uncover gaps from multiple perspectives to be analyzed for strategic options development.

DATA

The Stakeholders: The Knowing – Doing Gap Assessment survey is designed to assess from an internal perspective six stakeholder categories (community, customer, stockholder, supplier, employee and strategic partner) in order to gauge the strategic importance of one hundred fifty items and its corresponding current performance. The gap between the two items is indicative of problem performance as it gets greater. This will allow for identification of particular items which must be addressed in the development of the strategic plan. The basis for development of the instrument was best practices of outstanding organizations throughout the world.

The six stakeholder areas that are identified in the survey are employees, customers, suppliers, stockholders, strategic partners and community. In each of the categories there are five sub-categories. Scoring is done on a 1 to 5 scale with low scores indicating deficiencies and high scores indicating excellence. There were responses from 207 members of the Leadership Group. These surveys were administered in workshops given in October and November, 2003. The analysis is presented by stakeholder category. Gaps were identified when responses revealed substantial difference between knowing and doing. "Knowing" refers to the aspirational level of what needs to be accomplished from the perspective of the stakeholder, whereas "doing" refers to what is currently being done in that same dimension again from the perspective of the same stakeholder. Thus the gaps between expectations and current levels of performance drive strategy formulation.

RESULTS AND ANALYSIS

In analyzing the employee section of the Stakeholders: The Knowing - Doing Gap Assessment survey, two findings stand out. First, the responses to the survey are characterized by a high level of importance given to almost every item in the survey. Second, Dubai Municipality is seen as being weak in all areas of providing fair recognition and reward for employees achieving high results.

In analyzing the customer section of the Stakeholders: The Knowing - Doing Gap Assessment survey, several findings stand out. First, the responses to the survey are characterized by a high level of strategic importance given to almost every item in the survey. Second, the lowest scores for strategic importance are found in the pricing category. Third, pricing is seen as being the weakest area in terms of current performance. Fourth, Dubai Municipality is perceived as doing a good job of assuring the health, safety, and safety of people and assets.

The Dubai Municipality is somewhat weak in meeting expectations of stockholders in terms of financial performance. Respondents indicate that Dubai Municipality is weak in meeting stockholder expectations with regard to having competent leadership teams and qualified personnel. On the whole, respondents feel that the leadership and personnel do not meet the expectations of stockholders.

In analyzing the strategic partners section of the Stakeholders: The Knowing – Doing Gap Assessment survey, two major findings stand out. First the responses to the survey are characterized by a high level of importance given to all items in the survey. Second, Dubai Municipality is seen as being weak in three of the categories, strategic alliance and partnership, operational partnership throughout Dubai, and positive image, reputation and growth. The other two categories approved only average performance.

In analyzing the community section of the Stakeholders: The Knowing- Doing Gap Assessment survey, two things stand out. First the responses are characterized by a high level of importance given to almost every item on the survey. Second, Dubai Municipality is seen as being average or above average in performance levels.

IMPLICATIONS

Although the results give some support to the proposition that orientation to multiple stakeholders is positively associated with superior strategic options development, such associations are contingent on the external environment, as they are moderated by diversity of suppliers, intensity of competition, and breadth of customer needs. This is also moderated by the commitment of the organization to the various stakeholder groups and determination to operate at levels of excellence in order to achieve the desired results. The gaps identified from multi-stakeholder perspectives revealed several strategic options to be considered by Dubai Municipality.

CONCLUSION

More than two centuries ago, Rousseau's social contract helped to seed the idea among political leaders that they must serve the public good, lest their own legitimacy is threatened. Serving the public good requires the political leaders to not only recognize the importance of the expected levels of performance in order to meet the needs of stakeholders and to understand where their current levels of performance are but also to make the necessary adjustments to reach those expected levels of performance. The case of Dubai Municipality shows the relevance of the strategic planning process to balance multiple stakeholder forces upon the firm.

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AN EMPIRICAL ANALYSIS OF WEB-BASED CORPORATE MISSION STATEMENTS

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ABSTRACT

Using the Business Week Global 1000, the largest U. S. firms were selected for inclusion this study. The statistical universe of this study consisted of the largest 424 American companies, based on market valuation. Researchers examined the websites of all 424 companies to determine whether the firms chose to display their mission statements, or similar type statements (vision, credo, values) on the Internet.

Any mission statement or similar statement found on the firm's website was printed and a content analysis was performed on the documents, using the Pierce and David mission statement content recommendations. The researchers also investigated relationships based on firm size and profitability.

AN EXAMINATION OF ADAPTIVE STRUCTURATION THEORY THROUGH THE APPROPRIATION OF ELECTRONIC BILLING SYSTEMS

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ABSTRACT

Adaptive structuration theory (AST) provides a conceptual change model that helps capture the longitudinal change process. This paper proposes a modified AST model composed of elements derived from research strands in structuration, diffusion, and knowledge management theories. The model provides a theoretical framework that examines the appropriation process associated with introducing and implementing medical electronic billing systems (MEBS). In recent years, MEBS has become a critical tool for supporting health care services. The appropriation of MEBS in a medical center involves a great deal of change, which, if not carefully considered, could result in failure. Using a case study approach, this research identifies appropriation issues when planning and evaluating MEBS usage in medical centers.

INTRODUCTION

The introduction of new technologies into business operations stimulates adjustments at various levels and in multiple areas of an organization. These adjustments fuel a spiraling effect in the interdependent, reciprocally structuring relationships existing between the information technology and multiple aspects of the organization (Lucas & Baroudi, 1994; Orlikowski & Baroudi, 1996). In this paper, the authors develop a model that is used to examine the adaptive structuring that occurs as new technology is applied to support a specific functional area within an organization. The model combines three areas of research including adaptive structuration theory, technology diffusion and knowledge management. Two case studies are examined in light of the model in order to test the model and develop a set of common considerations for future businesses leaders contemplating adopting a new technology.

Adaptive structuration theory, originally posited by DeSanctis and Poole (1994) as an extension of Anthony Giddens' structuration theory (1979; 1984), deals with this type of incorporative change process. Adaptive structuration theory focuses upon the interrelated dynamics embedded in the application/creation of the technology that is in use by the organization through the combined processes of human interaction, technology and organizational social structures (Griffith, 1999; Lucas & Baroudi, 1994).

This study attempts to extend the research in adaptive structure theory through the development of a modified version of DeSanctis and Poole's 1994 model. DeSanctis and Poole found that adaptive structuration theory over time, led to changes in the rules, processes and procedures that were used within group decision support system social interactions. In their study, DeSanctis and Poole defined adaptive structuration theory as "an approach for studying the role of advanced information technologies in organization change" (DeSanctis & Poole, 1994: 121). Their research, however, focused upon a "snapshot" of a meeting in which group decision support systems (GDSS) were being used to study interaction at the micro or individual level of the organization rather than at the institutional level. In light of their definition, adaptive structuration theory could best be applied from a longitudinal perspective to a multitude of technologies throughout an organization rather than just an instance in time to a GDSS.

To further enhance the model, diffusion and knowledge management theories are used to develop the constructs defining the model's elements. Diffusion theory is applied to the elements of the model focusing upon the processes associated with adopting the new technology throughout an area of the organization. Knowledge management theory, specifically, knowledge emergence, focuses upon the knowledge that develops throughout the area of technology application as a result of the diffusion of the new technology.

This study extends the scope of research in the area of emergent organizational structure by applying a modified version of DeSanctis and Poole's model to a management information system at the macro level of organization structure. To further develop the theory of adaptive structuration, case study research is applied to describe and analyze the intraorganizational structural changes that develop in two multi-clinic Midwest-based medical organizations as a result of the introduction and implementation of medical billing technologies into daily operations.

RESEARCH MODEL

By combining adaptive structuration theory (DeSanctis & Poole, 1994), diffusion theory (Kwon & Zmud, 1987), and knowledge management theory focusing upon knowledge emergence (Nonaka & Toyama, 2003), a model encompassing all three areas is proposed. The constructs of the model are defined, for the most part, using Kwon and Zmud's literature review on diffusion theory (1987), a simplification of DeSanctis and Poole's original adaptive structuration model and Nonaka and Toyama's interpretation of the emergence of knowledge. The constructs of the research model are presented in Table 1.

Table 1

Column 1	Column 2	Column 3	Column 4
Technology Structure	Internal Structure	Technology Application	Tech.App. Outcomes
Comprehensiveness	Architecture	Appropriation of Structures	Organizational Learning
Complexity	Culture	Business Processes	Effectiveness
Support			
Compatibility			

RESEARCH METHOD

A case study approach was applied to two medical facilities to test the research model. Both organizations were selected for the study based upon their current level of growth and application of technology to business operations.

Directors of MIS and operations, accountants and billing clerks were interviewed at each organization using a focused interview technique. The flexibility of the open-ended questions was supportive of the exploratory nature of the study and allowed for both the collection of facts as well as opinions. Through the utilization of multiple interviews at each site, a more thorough clinic perspective was provided via observation through multiple viewpoints contributed by each medical office interviewee (Yin, 1984).

Documentation and statistics published by the U.S. Department of Health and Human Services, Health Care Financing Administration, American Medical Association, and Medicare were reviewed as they related to medical clinic mandates and regulations. Medical office documentation in the form of memoranda, meeting minutes, project and management reports, presentations, and other documents related to the rational behind the decisions to make the changes in the billing technology and billing procedures were likewise evaluated.

Through site visits, direct observations were made of the medical billing technology and billing procedures employed in each medical office. Information regarding processes, environmental conditions and office attitudes and structure were observed. Through participant-observation, one of the researchers took part in the actual billing process at one of the medical clinics using the billing software normally utilized during regular billing operations.

Although each organization faced significantly diverse technological experiences, there are several common factors to consider in the purchase and technology diffusion process. Through application of the cases to the proposed model, six common points surfaced that should be considered by medical facilities considering the possibility of purchasing a new electronic medical system.

COMMON CONSIDERATIONS

Both internal and external considerations surfaced as the case studies were applied to the model.

1. *Managers should involve effected employees in the purchase decision and process.* Neither organization involved their end-users in the medical billing technology purchase process and both felt the painful after-effects of this decision. Failing to involve the end-users in the purchase process evoked resentment toward management, the new system, and the changes that were brought about by both.

2. *The features of purchased technology should match business needs.* Although it is easy to become enamored with all of the bells and whistles that a new system may have, the organization needs to focus upon the business processes to be affected and the reasons underlying the purchase decision.

3. *During the purchase decision process, the selection team should solicit the advice of external parties.* It is sometimes possible to be too close to the situation or decision to provide neutral input or make an unbiased choice. There are also circumstances in which input is needed from someone with a higher level of expertise than that which is available in-house. To insure a desired level and quality of vendor support, the purchaser may wish to involve a specialist in contract law to spell out the responsibilities to each side of the contract including pre-installation, installation, implementation and ongoing phases of deployment.

4. *The purchasing organization must be willing to adapt to the new technology.* Neither case study achieved a perfect fit when they purchased their health information system packages. Both temporary and permanent adjustments had to be made to several aspects of the organizations throughout the technology diffusion process in the areas of business processes, organizational structure, the health information management system, and the way that the health information management system was applied to the business processes.

5. *Management needs to make sure that end-users are provided sufficient training and support*. Training programs should occur immediately before the changeover takes places so that the learned materials are still fresh in the employees' minds. During the training sessions, employees should have the opportunity to work with a copy of production data in order to see results similar to those provided by the system in use. Additional training sessions should be provided as warranted by significant system upgrades. Sufficient customized training and documentation should be provided to familiarize employees with the system as it relates to job function and to use as

reference once the training is completed. Condensed "reference sheets" of frequently used commands, keystrokes and functions could be included in the appendices of the documentation.

6. *Develop a centralized knowledge repository for sharing knowledge regarding system use.* Through knowledge portals, emerging knowledge could become immediately available to the entire organization or specified individuals. Rather than documenting and distributing procedures or calling formalized meetings to discuss the findings, information could be posted to the corporate knowledge portal and individuals alerted to its availability. Information would also be instantly available in the form of a searchable database for employees to access whenever a question or concern developed. As changes to the system or procedures arose, the online data could be easily adjusted to accommodate the changes without needing to destroy and replace outdated documentation.

CONCLUSION

Technology diffusion is an adaptive process that is affected by and affects the technology itself, the organization, business processes and in some cases, members of the environment. During the diffusion process, knowledge emerges as workers attempt to appropriate the technology to the business processes. This knowledge is a result of the adaptation that occurs as well as affecting the adaptation process. In this paper, the authors developed a model that combined theories from adaptive structuration, diffusion, and knowledge management. Two case studies were applied to the model to test the elements and constructs of the model. From their research and application of the cases to the model, the authors found six common considerations that future organizations might utilize to strengthen the technology purchase and diffusion processes.

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